Allianz Group

Annual Report 2003
Short Version

6 + One

AT A GLANCE

ALLIANZ GROUP		2003	2002	Change from previous year in %
Earnings before taxes	€ mn	2,528	– 1,309	–
Taxes	€ mn	– 130	768	–
Minority interest in earnings	€ mn	– 782	– 688	13.7
Net income	€ mn	1,616	– 1,229	–
Total premium income	€ bn	85.0	82.7	2.8
Net revenue from banking	€ bn	6.7	7.6	– 10.9
Net revenue from asset management	€ bn	2.2	2.3	– 2.8
Assets under management	€ bn	996	989	0.7
Shareholders' equity	€ bn	29	22	31.9
Return on equity after taxes	%	6.4	– 4.6	–
Earnings per share	€	4.77	– 4.44	–
Employees		173,750	181,651	– 4.3

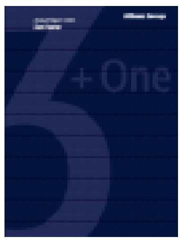
CONTENT

To go directly to any chapter, simply click ➤➤ on the headline or the page number.

– LETTER TO THE SHAREHOLDER 1 – SUPERVISORY BOARD AND BOARD OF MANAGEMENT 6
– STRATEGY 8 – THE ALLIANZ SHARE 12 – OVERALL BUSINESS DEVELOPMENT 19
– PROPERTY AND CASUALTY INSURANCE 26 – LIFE AND HEALTH INSURANCE 28
– BANKING 30 – ASSET MANAGEMENT 32 – OUTLOOK 35

COVER

The year 2003 was essentially shaped by our "Three Plus One" program. You will find more information about this program in the Letter to the Shareholder on the next page and in the "Strategy" chapter on pages 8 to 11.



Dear Shareholder,

When I took over as chairman of your company on May 1, 2003, two days after our Annual General Meeting, your outspoken criticism of our disappointing results was still ringing in my ears. Equally great was the disappointment among those investors with whom my colleagues and I had already met before the General Meeting in order to convince them of the appropriateness of the planned capital increase. I could understand your discontent and I take this message very seriously.

My colleagues on the Board of Management and I know that there is no task more important for the management team, our employees and myself than to restore the stability of the company and to bring it back into the league of the most respected international financial services providers. That is why we promised you at that time that we would not shy away from making hard, unpleasant changes. As Allianz shareholders, you must be able to rely on the company to grow its earnings and revenues so that your investment will generate solid, sustainable profits.

By proposing a capital increase, we asked you to support us in this process. And you agreed. I hope that you are satisfied with your decision and the results that the company has achieved since then. We are back in the black, and our share price has followed the upturn in our earnings. At the end of the year, the Allianz share broke through the 100-euro threshold.

Although the Company is much stronger today than it was in the crisis year 2002, and we are certainly pleased to have reached the first milestone on the path to sustainable, profitable growth, it must also be said that we have been helped not only by the indisputable operating improvements but also by the recovery of the financial markets.

Nevertheless we have made considerable progress. The risk position has clearly improved. Our financial position has stabilized. Our business models have been strengthened. Allianz is again winning respect. And each day, we are working with greater momentum.

That is directly attributable to our nearly 174,000 employees worldwide as well as to our agents and to our business partners. To all of them, I would like to express my sincere thanks for their outstanding effort and their trust. The business success of 2003 also demonstrates the ability of the company as a whole to carry out the decisions that were necessary to restore its competitiveness. At the same time, the turnaround in the earnings performance shows that, while Allianz continues to face great challenges, it already has the necessary potential that will continue to make it attractive in the future.

After the loss in 2002, which was one of the worst years in our proud history, we generated a profit of 1.6 billion euros. At the end of the year, our market capitalization stood at 36.7 billion euros. In view of this turnaround, we propose to distribute a dividend on each ordinary share in the same amount as last year. Due to the higher number of Allianz shares, the dividend payout will increase 47 percent to 551 million euros.

Since we live in an age where simple numbers have lost much of their meaning as indicators of success, I would like to explain to you the crucial components of our results and to point out what they mean for the future of the company.

The fundamental improvements stem from the efficiency gains in all four business segments and in essentially all Group companies. Cost savings in the reporting year alone came to an impressive 2.4 billion euros. This development is important because its effects are for the most part long lasting. Its true significance is borne out by the fact that it is now, in the first quarter of 2004, already becoming more difficult to impose rate increases for all our products. By way of price adjustments and a very disciplined underwriting policy, mainly in the property and casualty business, we were able to bring down the claims ratio worldwide. This trend was also supported by a favorable loss experience. In asset management and at Dresdner Bank, we significantly improved the cost-income ratio, even though the overall earnings performance of the bank did not meet our expectations. Nevertheless, the progress in the operating business of Dresdner Bank is considerable, in view of where we started. In addition, Dresdner Bank's balance sheet has been adjusted in material areas to reflect the current risk environment. But the results also show very clearly that we still have some distance to go. In view of the improvements already visible at this time, I am convinced that the implementation of the "New Dresdner" program will be successful as planned and the bank will again earn its cost of capital in 2005.

There are two additional aspects that are important for understanding the results of 2003. First of all, in life and health insurance we had to absorb retroactive changes in the German tax law. At the same time, we cleaned up the balance sheet by taking an unscheduled write-down on our South Korean life insurer. And secondly we succeeded, along with improving profitability and the risk profile of our business portfolio, in once again increasing our market share in a number of important markets.

The uncompromising implementation of the "Three Plus One" program by 2005 is the most important task for our management team, for every individual employee of Allianz, and for me. This "Three Plus One" program includes four initiatives designed to promote our business model and to achieve sustainable, profitable growth. Three of these initiatives are primarily aimed at restoring our financial strength by protecting and strengthening our capital base, by substantially improving operating profitability and by reducing complexity. The fourth point of the program has farther-reaching implications. With this point, we are focusing on the fundamental strengthening of our competitiveness and increasing value with the aim of regaining our position as one of the world's leading financial services providers. In the "Strategy" chapter on pages 8 to 11 of this Report, we outline the progress we have made in this endeavor during the reporting year.

For me personally, the continuing development of our corporate culture is extremely important. I want to see us work together as a team, to be truly customer-focused and to offer the best products. Furthermore, I would like for us to concentrate on the right businesses and markets and to work efficiently in every respect. To this end, we have built up our team noticeably in many key positions of the Allianz Group because only that will enable us to be really at the top of the international financial services market. That is why we introduced binding "Leadership Values" worldwide in the reporting year. As benchmarks for orientation and evaluation, they are designed to promote a corporate culture that is based on commitment to implementation, team work and customer orientation.

The path to further strengthen our financials is outlined in the first three points of the "Three Plus One" program. But can we maintain profitable growth beyond that? Yes, I think so, and I will give two reasons why I am so certain of that.

First of all, demographic and economic data show without a doubt that the era in which everyone could count on an adequate state pension is coming to an end. Reflecting the paradigm shift, the public debate about the future of our social security systems started very late, but it has now moved to the top of the agenda all across Europe. Our broad-based study "Life Goals" reveals that people are very much interested in long-term financial planning and want a financial services provider whose advice they can trust over a long period of time. If we analyze the business environment of financial services providers, one thing becomes clear: almost everything indicates that this industry stands at the beginning of a growth cycle rather than at the peak of its maturity. When it comes to your company, Allianz, I am absolutely certain that this is so. Our local companies are trusted partners of their customers because they stand for strength and solidity in their markets.

My optimism also stems from the fact that, in one Group, we have everything that is needed for a successful insurance, private pension and asset management business, including the strategic asset of Dresdner Bank. We have the right strategies and are committed to execute them. We have the resources to implement these strategies, including solid and well-positioned operating units worldwide, motivated and committed employees, capital, customer-oriented multi-channel distribution organizations, and product development capacities that combine our expertise in insurance and financial markets. Finally, the last few years have given us the added experience that will help us to capitalize on these strengths. In that pursuit, we are guided by the following insights.

We must earn trust, customer by customer, project by project, and day after day.

We know that the preoccupation with sheer size can become the enemy of excellence.

Our strategy also includes the ability to say no, in those cases where the balance between risk and earnings is no longer acceptable.

We limit and control the overall risk and make full use of all value drivers in our sphere of influence to generate a sustainable profit.

We are guided not just by our internal benchmarks; we are also determined to become the best in our industry. In a time of great uncertainty, we want Allianz to be the one brand that stands for trust. That is an ambitious goal, particularly in view of declining guaranteed interest rates and profit participation, and the positioning of Allianz to create more value for you, the owners of this company. And yet, this goal can be reached if we continue to strive relentlessly for efficiency and to motivate our outstanding employees, agents and intermediaries.

There is still a lot of work ahead of us, if we wish to make use of all the possibilities. But I believe in the ability of our people to develop business opportunities and execute them, and I feel the strong change in attitude since the outbreak of the crisis. Your company has become “hungrier” and more enterprising. We want to be the leading international financial services provider for insurance, private pensions and asset management; we want to be the company that people really trust. Please stay with us on this path and keep your faith in Allianz. I am confident that our business model will stand the test of time and that our actions will increase the value of your investment in this company.

Sincerely yours,

M. Diekmann

Michael Diekmann
Chairman of the Board of Management

Supervisory Board

DR. HENNING SCHULTE-NOELLE since April 29, 2003
Chairman
Former Chairman of the Board of Management Allianz AG

NORBERT BLIX
Deputy Chairman since April 29, 2003
Employee, Allianz Versicherungs-AG

DR. WULF H. BERNOTAT since April 29, 2003
Chairman of the Board of Management E.ON AG

DR. DIETHART BREIPOHL
Former member of the Board of Management Allianz AG

BERTRAND COLLOMB
Président du Conseil d'Administration Lafarge

DR. GERHARD CROMME
Chairman of the Supervisory Board ThyssenKrupp AG

JÜRGEN DORMANN until May 5, 2004
Chairman and CEO, ABB Ltd.

CLAUDIA EGGERT-LEHMANN since April 29, 2003
Employee, Dresdner Bank AG

HINRICH FEDDERSEN
Member of the Federal Steering Committee ver.di – Vereinte Dienstleistungsgewerkschaft

PETER HAIMERL
Employee, Dresdner Bank AG

PROF. DR. RUDOLF HICKEL
Professor of finance

PROF. DR. RENATE KÖCHER since April 29, 2003
Chairman Institut für Demoskopie Allensbach

FRANK LEY
Employee, Allianz Lebensversicherungs-AG

KARL NEUMEIER since April 29, 2003
Employee, Allianz Versicherungs-AG

HERBERT PFENNIG since April 29, 2003
Employee, Dresdner Bank AG

SULTAN SALAM since April 29, 2003
Employee, Dresdner Bank AG

DR. MANFRED SCHNEIDER
Chairman of the Supervisory Board Bayer AG

MARGIT SCHOFFER since April 29, 2003
Employee, Dresdner Bank AG

DR. HERMANN SCHOLL
Chairman of the Supervisory Board Robert Bosch GmbH

PROF. JÜRGEN E. SCHREMPP
Chairman of the Board of Management
DaimlerChrysler AG

MEMBERS WHO RESIGNED DURING THE PERIOD all as of April 29, 2003

DR. UWE HAASEN
Former member of the Board of Management Allianz AG

DR. KLAUS LIESEN
Chairman, Chairman of the Supervisory Board E.ON AG

HORST MEYER
Employee, Euler Hermes Kreditversicherungs-AG

UWE PLUCINSKI
Employee, Dresdner Bank AG

REINHOLD POHL
Employee, Allianz Immobilien GmbH

ROSWITHA SCHIEMANN
Branch Manager, Allianz Versicherungs-AG

JÖRG THAU
Employee, Allianz Private Krankenversicherungs-AG

DR. BERND W. VOSS
Deputy Chairman,
Member of the Supervisory Board Dresdner Bank AG

Board of Management

MICHAEL DIEKMANN
Chairman of the Board of Management,
since April 29, 2003

DR. PAUL ACHLEITNER
Group Finance

DETLEV BREMKAMP
Europe II

JAN R. CARENDI
since May 1, 2003,
Americas

DR. JOACHIM FABER
Allianz Dresdner Asset Management

DR. REINER HAGEMANN
Europe I,
Director responsible for Labor Relations

DR. HELMUT PERLET
Group Controlling, Accounting,
Taxes, Compliance

DR. GERHARD RUPPRECHT
Group Information Technology,
Life Insurance Germany

DR. HERBERT WALTER
since March 19, 2003,
Allianz Dresdner Banking

DR. WERNER ZEDELIUS
Growth Markets

MEMBERS WHO RESIGNED DURING THE PERIOD

DR. BERND FAHRHOLZ
until March 25, 2003,
Allianz Dresdner Banking

DR. HORST MÜLLER
until December 31, 2003,
Group Financial Risk Management

DR. HENNING SCHULTE-NOELLE
until April 29, 2003,
Chairman of the Board of Management

We have learned the lessons from last year's loss and adapted our strategy to the new market and risk situation. The result is our "Three Plus One" program. It continues the earlier Allianz initiatives for securing and increasing profits, makes them more precise and defines the framework for our actions until 2005. It is designed to sharpen the focus of the Group's business activities, boost its competitiveness and strengthen its orientation towards the sustainable creation of value.

The "Three Plus One" program comprises four mutually complementary, cross-linked initiatives that are implemented simultaneously. The first three are aimed at restoring the known financial strength and performance of Allianz in all relevant entrepreneurial dimensions. The fourth point, the "Plus One," goes beyond these initiatives. Its purpose is to make sure that our future competitiveness is the key driver in the implementation of all these measures.

The four strategic concepts of "Three Plus One" are the following:

The "Three" stands for protecting and strengthening our capital base, for a significant boost of our operating profitability and for a focused portfolio – and thus a reduction of complexity. That is the program with which we will fortify the foundation of our business activity. In the "Plus One" concept, we are focusing on the fundamental strengthening of our competitiveness and increasing value.

What stands behind this program and what progress has already been achieved?

1 Protecting and strengthening our capital base

If we want to remain a reliable business partner for our customers and be able to implement our ambitious growth and profitability plans, we must have adequate equity and risk capital. That was the purpose of our substantial capital increase in April 2003. We are pressing ahead with the extension of a company-wide risk management system that protects the capital base by setting risk standards and limits that are applicable worldwide. At the same time, all business activities are brought into line with our internal risk capital model, which places particular emphasis on diversification. This is based on the fact that the risk capital required for an entire risk portfolio is less than the sum of the capital needs of all the individual risks it contains, because the probability that various worst-case scenarios will occur at the same time is extremely low. To limit our exposure to stock market fluctuations, we scaled down shareholdings such as those in Beiersdorf and Munich Re, which concentrated risk because of their size, and reduced the overall share of stocks in our investment portfolio from 19 to 16.4 percent. At the same time, the proceeds from these transactions and from the sale of subcritical activities strengthened our shareholders' equity. Overall, our equity capital grew by 6.9 billion euros to 28.6 billion euros.

2 Significant boost of our operating profitability

Here, it is a matter of making sure that Allianz operates and grows profitably. We adjusted the prices and conditions in the insurance business to the actual risk situation, exposed ourselves to fewer additional capital market risks, continually ramped up the efficiency of our operations and eliminated those risks from our existing portfolio which were not matched by an adequate profit potential. The major successes in the reporting year were the acceleration and deepening of the turnaround programs at Fireman's Fund, Allianz Global Risks, AGF and Dresdner Bank, as well as the improvement of the combined ratio in property and casualty insurance from 105.7 to 97.0 percent. In life insurance, we brought down the expense ratio, and we reduced the cost-income ratio in asset management and at Dresdner Bank. These indicators are the most effective levers for improving operating income.

Important prerequisites were rigorous cost management in all segments, especially in life insurance, and, where necessary, a radical reform of our business models with a clear profitability target. Having already completed this work in the U.S.A., Australia and Austria, we continued to pursue it vigorously in the reporting year in Switzerland, in our asset management segment, at Dresdner Bank and in France. Divesting subcritical activities and risks with no corresponding profit opportunities is another key element of the "Three Plus One" program.

3 A leaner portfolio and reduction of complexity

In the past decades, we have used openings in the market to build up a far-reaching international business portfolio. That made good sense, because such opportunities can vanish with unexpected speed. Now, we are subjecting this portfolio to a painstaking analysis with the objective of disposing of those interests which did not meet our original expectations.

By now, the number of disposals has reached 18. That freed up approximately 0.9 billion euros in risk capital and 1.9 billion euros in liquidity. But our primary concern is not just to free up risk capital; rather, we are striving for proximity to the customer and efficient management. We do not want to tie up valuable resources in businesses that offer no prospects of achieving our ambitious goal of sustainable profitable growth.

Down the line, the reduction of complexity will increase efficiency, for example by pooling IT procurement worldwide. In the reporting year, we generated savings of about 55 million euros from the part of our global purchasing volume analyzed thus far (160 million euros). That is 35 percent of the budget considered. Increased efficiency and better service are also the objectives of merging similar businesses or placing them under central control. Allianz Marine & Aviation and Allianz Risk Transfer, Mondial and Euler Hermes, as well as Allianz Global Risks, are units that were born of this logic.

The reduction of complexity and the concomitant increase of earnings are also served by efficient synergy management. That is why last year we regrouped the units Allianz Knowledge Management, International Department Health, and Synergy Projects in Allianz Group Business Services. The mission of this Group Center is to support the operating units worldwide in increasing their earnings power through an even more targeted transfer of know-how, best practice exchanges, and the exchange of experts.

Plus 1 Sustainable increase of our competitive strength and value

This element of our strategy, the "Plus One," is our "On Top Fitness and Outperformance Program". By that we mean the sustainable increase of our competitiveness and our company value beyond the usual parameters: by strengthening our core business, refining management instruments and accelerating profitable growth. The efficiency gains from the first three program components of "Three Plus One" are invested in business areas that are best suited to reaching these objectives. These can be individual markets, our sales organization or the sharpening of our customer focus.

The central concepts linked to this component are "Customer Satisfaction" and "Sales Culture". The quality of our services and products, our marketing drives, our customer interfaces and the back office processes supporting them must all converge in one point: we want to be the consumer's first choice and not compete on price alone. Our objective is to create life-long customer relations that are beneficial to both partners.

In order to reinforce the entrepreneurial outlook of the company, we have changed the process of capital allocation. The holding has now taken on the role of a capital market in which each operating unit competes for additional capital. And only those units that present the best business plans and can prove the highest creation of added value will qualify for more risk capital. In keeping with this concept, we have reduced the volume of risk capital in those units of Dresdner Bank that are non-strategic or unprofitable, for example in the credit restructuring unit IRU and in the investment portfolio. Instead, this risk capital was allocated to segments that generated higher income. Overall, this redirection of capital resources has strengthened the profitability of Allianz and increased the normalized return on capital employed across all segments from 3.1 to 12.6 percent[*)]. The internal capital market thus created will enhance the entrepreneurial spirit of the entire organization, because it rewards those whose local strategies are successful with their customers while at the same time generating an attractive return on investment. And that is very much in the interest of our shareholders.

We are convinced that this customer relations oriented approach creates added value and secures the basis for sustainable profitable growth. That makes it the decisive vector for the implementation of the entire "Three Plus One" initiative, right up to our highest strategic objective: we want to be the leading international financial services provider for insurance, private pensions and asset management, we want to be the one company that people can really trust.

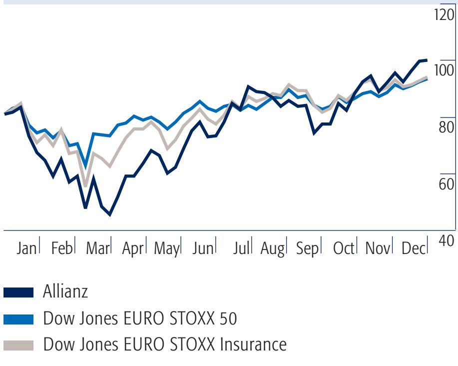
*) In this calculation, investment income is determined by means of a normalized performance rate. We thereby smooth out the influence of fluctuations in the capital markets and of profit taking. At present, we are normalizing stock performance at 8.5 percent.

After three bearish years, confidence has returned to the stock market. The surprisingly quick end of the war in Iraq allayed many fears on the part of the investors and paved the way for widespread market optimism. This change in mood also drove up stock market indicators. Considered over the entire year, the Allianz share price went up 23.9 percent and outperformed the corresponding Dow Jones EURO STOXX Insurance Index. Above all, we take this increase in value as a recognition of our decisive improvements in the operating business and we are pleased that after the very bad year of 2002, investors' confidence is once again growing. The broad-based recovery of our business incited us to once again propose to distribute a dividend of 1.50 euros per share for the year 2003, even though the number of our shares is now significantly higher.

The Allianz share gets back on track

After the difficult stock market years 2001 and 2002, the Allianz share got back on track in the reporting year. Parallel to the escalation of the crisis in Iraq, however, our share price suffered another steep decline until March. But thereafter, it recovered very well and started a sustained catch-up rally, which ended with an annual plus of 23.9 percent. At that level, the Allianz share outperformed both the Dow Jones EURO STOXX Insurance (+16.5 percent) as well as the cross-industry Dow Jones EURO STOXX 50 (+15.7 percent); but the recovery was weaker than that of the German stock index DAX (+37.1 percent). The rise of the Allianz share price after the capital increase is a convincing proof of trust and an

Development of the Allianz share price versus Dow Jones EURO STOXX 50 and Dow Jones EURO STOXX Insurance
indexed on the Allianz share price (Xetra)*) in €



*) Adjusted for capital measures (capital increase)
Source: Thomson Financial Datastream
Current information on the development of the Allianz share price is available on the Internet at www.allianzgroup.com/investor-relations.

Allianz share performance in comparison
Average annual performance in %

Performance	1 year 2003	5 years 1999 – 2003	10 years 1994 – 2003
Allianz (excl. dividends)*)	23.9	– 18.7	– 1.9
Allianz (incl. dividends)*)	26.3	– 18.0	– 1.3
DAX	37.1	– 4.6	5.8
Dow Jones Euro STOXX 50	15.7	– 3.8	6.8
Dow Jones Euro STOXX Insurance	16.5	– 12.5	2.4

*) Adjusted for capital measures (capital increase)
Source: Thomson Financial Datastream

indication that the market is well aware of our financial strength and our marked improvements in operations.

Since this recovery of our share price followed a massive deterioration over more than two years, it was not sufficient to post a positive performance in the ten-year comparison, which stands at an annual average minus 1.9 percent. If we extend the observation period and look at the development of the Allianz share price over the last twenty years, the average increase comes to 8.2 percent per year.

With a market capitalization of 37 billion euros at the end of the year, Allianz remains one of the most highly valued financial services providers in Europe. Our share is listed in all the major indexes: Germany's DAX, Dow Jones STOXX 50 and MSCI Europe, and it is used in calculating the FTSE Eurotop 100 and the MSCI World Index. The Allianz share is also included in the Dow Jones Sustainability Index. This index only lists the top 10 percent of companies in a given industry that have obtained the best rankings in a sustainability rating. The ranking is based on economic, ecological and social criteria. More information on this is available at www.allianzgroup.com/sustainability.

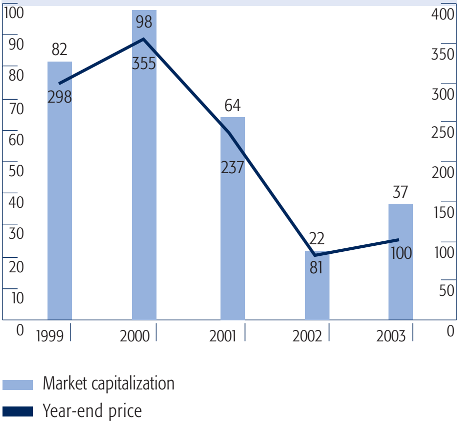
Weighting of the Allianz share in major indexes on December 31, 2003 in %

DAX (fourth largest single share)	8.0
Dow Jones Euro STOXX 50 (13th largest single share)	2.4
Dow Jones Euro STOXX Insurance (largest single share)	19.8
MSCI Europe Index (34th largest single share)	0.7
MSCI Europe Insurance Index (largest single share)	14.2
MSCI World Index (96th largest single share)	0.2

Sources: Bloomberg, Thomson Financial Datastream, Morgan Stanley Capital International

Market capitalization and share price

Market capitalization[1] in € bn — Price[2] in €



[1] Market capitalization calculated without treasury shares
[2] Adjusted for capital measures (capital increase)
Source: Thomson Financial Datastream

Successful capital increase

In April 2003, we increased our capital with subscription rights and issued 117 million new shares for this purpose. Fifteen old Allianz shares entitled their holders to acquire seven new shares at a price of 38 euros each, so that the transaction strengthened our capital with 4.4 billion euros. On this basis, we are better able to bring our competitive advantages into play. The capital increase was well received: close to 100 percent of shareholders accepted the very attractive offer and subscribed new shares.

Key figures on the capital increase

Subscription period	April 15, 2003 – April 29, 2003
Subscription ratio	15 : 7
Subscription price	38 euros
Shares issued	117.2 million
Proceeds	4.4 billion euros
Trading in subscription rights	April 15, 2003 – April 25, 2003
High/low subscription rights	9.40 euros / 7.27 euros
Closing price subscription rights	7.40 euros

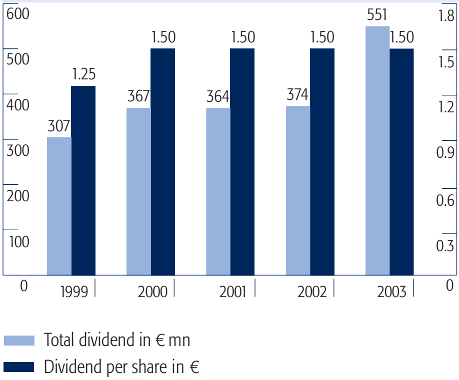
Earnings per share back to a solid plus

Earnings per share followed the progress in the operating business and improved clearly from –4.44 euros to 4.77 euros.

Higher dividend payout

We maintain the continuity of our dividend policy and propose to our shareholders at the Annual General Meeting to distribute a dividend of 1.50 euros per share for 2003, unchanged from last year. Due to the higher number of Allianz shares, the dividend payout will increase 47 percent to 551 million euros.

Total dividend and dividend per share



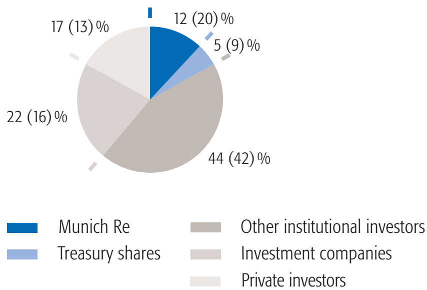
Public offer to holders of profit participation certificates

In a voluntary public offer, we invited the holders of Allianz profit participation certificates to exchange their certificates for Allianz shares. This offer was designed to restructure our capital. The exchange was completed in January and ended with a satisfactory acceptance ratio of 86 percent. We issued a total of 6.1 million shares from treasury stock to holders of profit participation certificates. Following this offer, the terms for the certificates still outstanding remain in force. We do not intend to issue a call for their redemption as of December 31, 2006.

Free float now over 83 percent

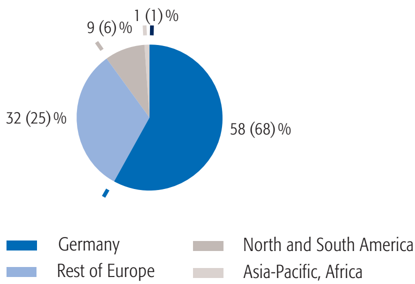
The free float percentage of our share continued to rise in 2003, from 71 percent in the previous year to the current 83 percent. The increase is mainly attributable to Munich Re, which reduced its stake in Allianz from about 20 percent to close to 12 percent. This makes Allianz one of the largest publicly held corporations in Europe. A higher free float percentage raises the liquidity of our share and upgrades its weighting in most major indexes. Up-to-date information on our shareholder structure is available on the Internet at www.allianzgroup.com/investor-relations.

Shareholder structure on December 31, 2003
Free float: 83%, Long-term investments: 17%



Source: Allianz AG share register

Regional distribution of share ownership on December 31, 2003



Source: Allianz AG share register

The higher free float and the capital increase also led to a rise of the number of shareholders, from 510,000 to over 570,000. Trading volumes went up as well. On an average day, approximately 3.9 million Allianz shares are bought and sold through the electronic trading system Xetra. That put the trading volume of our share in second position among the thirty DAX stocks.

Since the end of 2000, Allianz shares have also been traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR). Ten ADRs are the equivalent of one Allianz share.

Value-oriented management

Our foremost objective is profitable growth. That is why we use "Economic Value Added" (EVA®) as the key indicator for controlling our business.

Performance-based remuneration

Our "Group Equity Incentive Plan" gives top-level management an additional incentive for increasing the Allianz market capitalization. It combines two instruments through which management participates in the development of the Allianz share price. On the one hand, the stock appreciation rights (SAR) known from previous

Allianz share key indicators at a glance

		2003	2002	2001
Subscribed capital on December 31	€	984,880,000	682,408,000	682,055,680
Number of shares on December 31		384,718,750	266,565,625	266,428,000
Number of shares on December 31 (excluding treasury shares)		367,139,707	243,124,517	241,189,535
Average number of shares in the fiscal year[1), 2)]		338,201,031	276,854,382	277,763,292
Average number of shares traded per day on Xetra	mn	3.9	1.7	1.0
Share price on December 31[2)]	€	100.1	80.8	237.1
High for the year[2)]	€	101.5	255.6	355.3
Low for the year[2)]	€	40.5	68.4	183.0
Market capitalization on December 31[1)]	€ bn	36.7	22.0	64.2
Share price performance in the year (excluding dividend)[2)]	%	23.9	–65.9	–33.3
Dividend per share	€	1.50	1.50	1.50
Earnings per share[2)]	€	4.77	–4.44	5.71
Earnings per share, before depreciation of goodwill[2)]	€	8.92	–0.24	8.62
Return on equity	%	6.4	–4.6	4.7
Return on equity, before depreciation of goodwill	%	12.1	–0.3	7.1

1) Excluding treasury shares

2) Adjusted for capital measures (capital increase)

years continue to exist. On the other hand, restricted stock units (RSU) were issued for the first time. The number issued to each senior manager depends mainly on the EVA® created; in addition, the achievement of individual objectives is taken into account. The combination of stock appreciation rights and restricted stock units balances earnings and risk and reduces the leverage effect that comes about especially with a relatively low share price. The new system also meets the demands of shareholder representatives and of corporate governance bodies. These had expressed their objection to having senior management participate in the development of the company's value solely by issuing stock options. In 2003, approximately 550 senior managers were entitled to stock-based remuneration. Due to the unsatisfactory share price development in the past years, the stock appreciation rights for the years 1999 to 2002 are far out of the money, so that the participants were not yet able to derive any benefits from them.

Growing interest in the Annual General Meeting

Our Annual General Meeting for fiscal 2002 was attended by approximately 7,500 shareholders, 1,800 more than in the previous year. At the same time, the voting share capital represented decreased approximately 7 percentage points to about 40 percent. This was mainly due to our growing free float and to shares held by investors outside Germany. To nonetheless reach as many investors as possible, we directly addressed German asset management companies and advertised attendance by Internet. As in the previous year, online participants were able to change their instructions during the meeting, as long as voting had not yet begun. For the first time, we offered to send out the documentation for the Annual General Meeting by e-mail. This service was widely used. Detailed information on the Annual General Meeting is available at www.allianz group.com/agm.

Basic Allianz share information

Share type	Registered share
Denomination	Share with no par value
Stock exchanges	All German stock exchanges, London, Paris, Zurich, New York
Security codes	WKN 840 400 ISIN DE 000 840 400 5 Common code 001182013 CUSIP 018805 10 1
Reuters	ALVG.DE
Bloomberg	ALV GY

Strengthening Investor Relations

We continued to strengthen our investor communication, particularly in view of the capital increase. After the announcement, we approached our investors in the leading European financial centers, informed them about current business developments and showed them the importance of the capital increase for the future return on their investment. Overall, we held about 250 meetings with analysts and institutional investors in the reporting year.

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The information and communication offerings for our private investors are continually expanded, mainly through the Internet. On our website, investors find additional details on our Annual Report, they can download the most important Allianz publications, and now they can also subscribe to the Allianz Newsletters. This material provides up-to-date information about business developments as well as current topics or events. Private investors can follow our telephone conferences live on the Internet. And they continue to have access to the Investor Line that answers their questions on Allianz and the Allianz share 24 hours a day, seven days a week. Altogether, the Investor Relations Team answered around 5,000 inquiries from private investors.

Financial Calendar for 2004/2005

Important dates for shareholders and analysts

May 5, 2004	Annual General Meeting
May 14, 2004	Interim report first quarter of 2004
August 16, 2004	Interim report first half of 2004
November 12, 2004	Interim report first three quarters of 2004
March 17, 2005	Financial press conference for the 2004 fiscal year
March 18, 2005	Analysts' conference for the 2004 fiscal year
May 4, 2005	Annual General Meeting
May 13, 2005	Interim report first quarter of 2005
August 12, 2005	Interim report first half of 2005
November 11, 2005	Interim report first three quarters of 2005

Comprehensive service

We want to keep you up-to-date and provide you with a comprehensive information service. Simply call us or submit your questions by mail. The Allianz Investor Line +49 1802 2554269 is available around the clock, seven days a week. Our Investor Relations Team will be delighted to answer your questions.

Additional information concerning Allianz and the Allianz share is available on our website at www.allianzgroup.com/investor-relations. From that site, you can also download a special Internet version of our Annual Report.

We will be pleased to send you our interim reports as well as any other Allianz Group publications.

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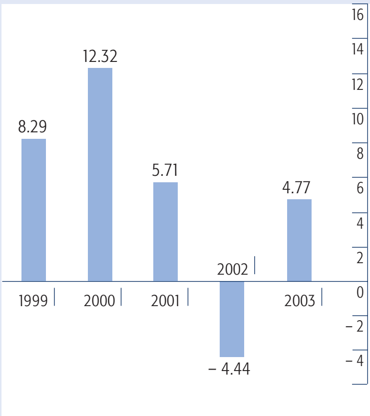
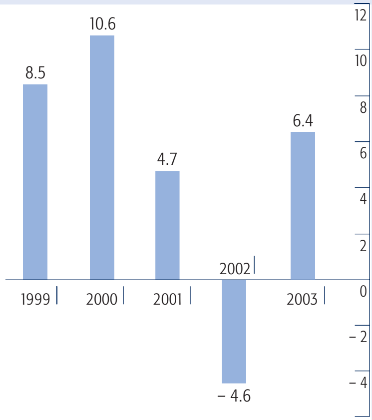
Consolidated balance sheet (short version) ASSETS	2003 € bn	2002 € bn	EQUITY AND LIABILITIES	2003 € bn	2002 € bn
Intangible assets	16.3	18.3	Shareholders' equity	28.6	21.7
Investments in affiliated enterprises	6.4	11.3	Minority interests in shareholders' equity	8.4	8.3
Investments	295.1	285.3	Participation certificates and subordinated liabilities	12.2	14.2
Investments held on account and at risk of life insurance policy holders	32.5	25.7	Insurance reserves	311.5	305.8
Loans and advances to banks	117.5	86.8	Insurance reserves for life insurance where the investment risk is carried by policyholders	32.5	25.7
Loans and advances to customers	203.3	188.1	Liabilities to banks	178.3	137.3
Trading assets	146.2	124.8	Liabilities to customers	154.7	147.3
Amounts ceded to reinsurers from insurance reserves	25.1	28.4	Certificated liabilities	63.3	78.8
Other assets	93.7	83.4	Other liabilities	146.4	113.2
Total assets	936.0	852.2	**Total equity and liabilities**	936.0	852.2

Consolidated income statement (short version)	2003 € bn	2002 € bn
Premiums earned (net)	56.0	55.1
Net interest from banking	2.8	4.0
Income from investments and affiliated enterprises	15.6	13.2
Trading income	0.2	1.5
Fee and commission income, and income resulting from service activities	6.1	6.1
Insurance benefits	– 50.0	– 50.2
Loan loss provisions	– 1.0	– 2.2
Acquisition costs and administrative expenses	– 22.1	– 24.5
Other income/expenses	– 3.7	– 3.1
Amortization of goodwill	– 1.4	– 1.2
Income before taxes	2.5	– 1.3
Taxes	– 0.1	0.8
Minority interests in earnings	– 0.8	– 0.7
Net income	1.6	– 1.2
Earnings per share in €	4.77	– 4.44

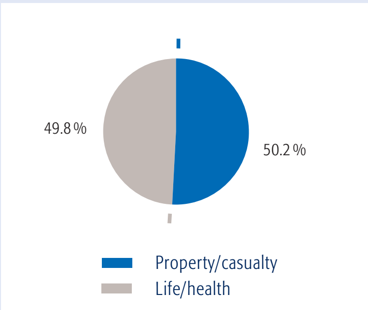
Earnings per share
in €



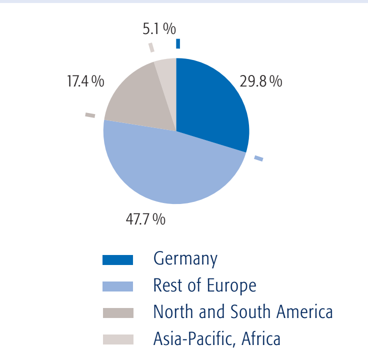
Return on equity after taxes
in %



Total premium income by business segments (€ 85.0 bn)



Total premium income by regions (€ 85.0 bn)



In 2003, the Allianz Group succeeded in strengthening its equity base with 6.9 billion euros and raising its net income to 1.6 (–1.2) billion euros. In addition, we began to reduce the complexity of our business portfolio.

- In our initiatives aimed at strengthening our competitiveness, we placed particular emphasis on restoring the solid capital base of our company and on limiting risk. For this purpose, we launched a capital increase and reduced the equity quota in our investment portfolio.
- Of equal importance to us was a speedy return to sustained profitability in the operating business.
  - The combined ratio in property and casualty insurance improved to 97.0 (105.7) percent, aided by the success of the turnaround programs at Fireman's Fund, Allianz Global Risks and AGF.
  - In life and health insurance, we improved the expense ratio and at the same time increased total premium income by 5.3 percent to 42.3 billion euros.
  - The operating loss in the banking business was reduced by 1.6 billion euros to 357 million euros.
  - In asset management, we increased the operating result by 48 percent to 733 million euros.
- At the same time, we critically examined our business portfolio and discontinued a number of supporting activities as well as activities that did not fit in with the strategic orientation of their respective parent companies.

At the beginning of 2003, we were confronted with several important challenges: we had to strengthen our capital base and restore the profitability of our operations. After a period of expansion including major acquisitions, we also decided to launch a consolidation phase. We want to rebuild the strength of the Allianz Group by concentrating on businesses in which we have reached a future-oriented market position and by streamlining overly complex organizational structures without compromise. But we do not intend to stop at consolidation. In parallel, we are launching initiatives designed to ensure the sustained, profitable growth of our Group. In that process, we capitalize on our excellent starting position in major attractive markets, while at the same time expanding our global product lines. We want to fully leverage this potential for the creation of added value.

Shareholders' equity increased by a total of 6.9 billion euros in fiscal 2003. This is primarily attributable to the capital increase in the spring of 2003. In addition, unrealized gains from our investments grew by 2.5 billion euros. The rising value of the euro, particularly with respect to the U.S. dollar, depressed our shareholders' equity by 1.7 billion euros at the end of 2003. To limit the influences of strong fluctuations in the capital markets on our shareholders' equity, we continually reduced our stock portfolio. With a solvency ratio of 206.3 (152.8) percent, we clearly surpassed the legally required **solvency margin**. All entities of the Allianz Group had adequate own funds and met local solvency requirements. Our solid financial resources are also acknowledged by the rating agencies. Standard & Poor's, for example, attests to our "very strong" financial status and continues to maintain its "AA–" rating.

Operating improvements across all segments brought the Allianz Group back on track towards profitability within a short time. We are nonetheless aware of the fact that we still have a considerable way to go to reach the profitability targets we have set ourselves, particularly in the banking business and also in some insurance units. That the progress achieved in the operating business in 2003 is not fully reflected in our earnings performance is mainly due to the following influences:

- Restructuring charges at Dresdner Bank amounting to 840 million euros.
- New tax laws that increased the tax charges in our German life and health insurance business by 428 million euros.
- An unscheduled amortization of the activated goodwill of our South Korean subsidiary amounting to 224 million euros.

We also made considerable progress in **reducing the complexity** of our corporate structures. Our activities in marine and aviation insurance were combined in the Allianz Marine & Aviation Group. Structures and workflows at Allianz Global Risks, our international industrial insurer, and at the Global Equity Platform, an administrative and organizational unit of Allianz Dresdner Asset Management. A total of 18 Group companies to which we assign no strategic importance were sold, wound up, or, as in the case of Advance Bank, reintegrated into existing units. We also reduced our stakes in Münchener Rückversicherungs-Gesellschaft (Munich Re) and Beiersdorf AG. In the course of 2003, we cut our interest in Munich Re from 22.4 percent to 12.4 percent. In the fourth quarter of 2003, we agreed on the disposal of most of our interest in Beiersdorf AG; after completion of the transaction, we only hold

7.4 percent of the share capital of this company. With these initiatives, we not only reduced the complexity and the risks of concentration in our equity portfolio but also gained an additional measure freedom for its management.

To make sure that the prerequisites for a sustained improvement of **competitiveness** and **value creation** are met, we have changed the rules for the allocation of capital within the Group. On principle, our operating units are held to meet the following conditions in order to receive growth capital. They must:

- operate in a profitable market or business segment;
- transform their market position into sustainable creation of value and become a market leader;
- fit in with the long-term strategic orientation of the Allianz Group; and
- be in a position to pay dividends that are at least equal to their capital costs.

For these new requirements, exceptions may apply for a limited period of time, for example for the units we are currently positioning in future growth markets such as China and India, or in turnaround cases.

In addition, the remuneration systems were more strongly oriented towards our "Leadership Values" and towards meeting financial performance objectives. These are consistent with the increase of net income generated in excess of capital costs and distributable profits. With that, we want to encourage our senior management to work towards a sustainable increase of the competitiveness and value creation of the Allianz Group.

Overview

		2003	2002
Gross premium income	€ bn	85.0	82.7
Operating revenues from banking	€ bn	6.5	7.6
Operating revenues from asset management	€ bn	2.2	2.3
Total revenues	€ bn	93.8	92.6
Earnings before taxes and amortization of goodwill	€ bn	3.9	– 0.1
Net income	€ bn	1.6	– 1.2
Earnings per share	€	4.77	– 4.44
Return on equity after taxes*)	%	6.4	– 4.6

*) Calculated as net income in percent of average shareholders' equity

Earnings

Premium income from the **insurance business** grew 2.8 percent to 85.0 (82.7) billion euros. After adjustment for consolidation and currency effects, growth came to 7.3 percent. In IFRS accounts, which only recognize the risk and cost elements in premiums from investment-oriented products, we increased our revenues 0.4 percent to 63.4 billion euros.

Operating revenues from the banking business declined by 10.9 percent to 6.7 billion euros. Adjusted for consolidation and currency effects, the decrease came to only 3.1 percent.

In the **asset management** segment, we increased **investments for third-party investors** in euro accounts by 4 to 565 billion euros. At constant exchange rates, the increase would have amounted to 72 billion euros. The **operating result** grew 48 percent to 733 million euros. Adjusted for currency effects, mainly due to the weaker U.S. dollar with respect to the euro, the operating result would have grown 73 percent to 855 million euros.

Group investments generated income of 16.9 billion euros. While current income fell to 15.5 (17.8) billion euros, the balance of realized gains and losses – essentially from the sale of shares in Beiersdorf AG – increased by 1.6 billion euros to 5.7 billion euros. Despite the recovery in the financial markets, the balance of write-ups and write-downs was still clearly negative (3.4 billion euros). Amortization of goodwill increased to 1.4 (1.2) billion euros, mainly due to an unscheduled write-down of 224 million euros on our company in South Korea.

The **claims ratio** in the property and casualty insurance business improved by 6.7 percentage points to 71.5 percent, boosted by our portfolio restructurings and the success of our turnaround programs, and additionally favored by relatively low payouts for major and elementary losses.

Distribution **costs** and administrative expenses came to 22.1 billion euros in 2003 and were thus 2.4 billion euros or 9.7 percent lower than in the previous year, despite higher revenues. In each individual segment, absolute costs were reduced in comparison to the previous year. They amounted to 549 million euros in property and casualty insurance, to 550 million euros in life and health insurance, to 991 million euros in banking and to 173 million euros in the asset management segment.

Earnings before taxes and amortization of goodwill came to 3.9 billion euros, following a loss of 147 million euros in the previous year. The amount of taxes actually paid reached 1,565 (918) million euros. But this was offset by deferred tax assets of 1,435 (1,686) million euros, which resulted in a tax charge of 130 (tax income of 768) million euros. After deduction of minority interest, which increased from 688 million to 782 million euros, we posted **net income** of 1.6 billion euros. Earnings per share amounted to 4.77 (– 4.44) euros.

Financial assets

At the end of the year, the current value of the **Group's investments** was 398.8 billion euros. This figure also includes 86.4 billion euros of investments from banking business. On the whole, Group investments declined by 1.0 percent from the previous year (403.0 billion euros). To reduce the exposure of our earnings to fluctuations in the capital markets we further reduced the equity share of our investments from 19 percent to the current 16.4 percent, despite higher stock market prices.

Outstanding **financial liabilities** of Allianz AG totaled 12.9 (15.2) billion euros. The corresponding interest came to 681 million euros in the reporting year. In February 2004 we issued a subordinated bond with a nominal value of 1.5 billion euros. We thereby took advantage of the low interest environment and the high liquidity in the market to refinance short-term by long-term debt at attractive conditions.

At the end of 2004, **shareholders' equity** of Allianz amounted to 28.6 (21.7) billion euros. The 6.9 billion euro increase includes 4.6 billion euros from the issue of new shares. The remaining increase of 2.3 billion euros essentially reflects higher unrealized gains of 2.5 billion euros on securities available-for-sale.

Return on equity

At 6.4 percent, the IFRS return on equity improved substantially from the previous year, when it had amounted to – 4.6 percent. Before amortization of goodwill, we thus reached a return on equity of 12.1 (– 0.3) percent. But the improvement of this indicator was still limited by the increase of unrealized gains from our equity portfolio, since these valuation reserves increase shareholders' equity but are not recognized as profit in the income statement.

Market capitalization and the Allianz share

The market capitalization of Allianz AG, adjusted for treasury shares, was 36.7 billion euros on December 31, 2003. The Allianz share was quoted at 80.8 euros at the beginning of 2003. In the first quarter of 2003, its price fell to 40.5 euros, but it recovered to 100.1 euros by the end of the year. If, in addition to the increase of the share price, one takes into account the dividend paid and assumes a participation in our capital increase on the basis of an "operation blanche", our shareholders obtained a total return on investment of 26.3 percent. The recovery thus lagged behind that of the German stock index DAX (+37.1 percent), but it was stronger than that of the Dow Jones EURO STOXX Insurance index (16.5 percent).

Human resources

The number of employees worldwide declined from 181,651 to 173,750 in 2003. This is the result of our extensive efforts towards streamlining our business processes and of the consolidation of certain business areas.

In property and casualty insurance, premium income rose 4.0 percent to 43.4 billion euros, after adjustment for currency and consolidation effects. Total revenues increased 0.3 percent. The combined ratio was brought down 8.7 percentage points to 97.0 percent. Net income of the segment came to 4.5 billion euros.

The 4.0 percent premium growth (after consolidation and exchange rate effects) is the result of the following influences:

- we rigorously eliminated unprofitable business from our portfolio;
- we imposed more risk-adequate rates, particularly in Germany, France, Spain and the U.S.A.; and
- expanded our business, particularly in the growth markets of Central and Eastern Europe.

We were able to bring down the **claims ratio** to 71.5 (78.2) percent. In particular, we attribute this improvement to:

- portfolio-restructurings throughout the company;
- successful turnarounds at our companies Fireman's Fund, Allianz Global Risks and AGF; and
- a more favorable development of major and elementary losses.

Insurance reserves decreased by 3.6 billion euros in comparison to last year. The largest part of this decrease is attributable to currency effects. In addition, the positive development of the claims situation resulted in lower reserves. The ratio of reserves for claims in the year under review to total claims expenses in the year under review remained unchanged.

The **expense ratio** eased off 2.0 percentage points to 25.5 percent because we were able to keep absolute costs at constant levels, or even lower them in a number of countries, while revenues went up. Acquisition costs and administrative expenses in this segment dropped by a total of 0.5 billion euros.

Investments generated a net income of 6.5 (11.7) billion euros. Current income fell to 4.3 (5.9) billion euros. Realized gains and losses came to 6.4 billion euros (8.8 billion euros, including 3.9 billion euros from Group-internal transactions) and were essentially determined by the sale of shares of Beiersdorf AG, which contributed 2.8 billion euros to income. The balance of write-ups and write-downs decreased 17 percent to – 1.4 billion euros.

Earnings before taxes and amortization of goodwill came to 5.9 billion euros. Amortization of goodwill increased to 383 (370) million euros. Tax expenses came to 619 million euros in the reporting year. After deduction of minority interests in earnings (– 384 million euros) **net income** in property and casualty insurance amounted to 4.5 billion euros. That is a significant improvement over the prior-year figure which, after adjustment for Group-internal transactions, amounted to 3.4 billion euros.

		2003	2002	2001
Gross premiums	€ mn	43,420	43,294	42,137
Premiums earned (net)	€ mn	37,277	36,457	34,428
Claims ratio	%	71.5	78.2	81.1
Expense ratio	%	25.5	27.5	27.7
Investment income	€ mn	6,495	11,734	7,325
Net income	€ mn	4,506	7,207	2,364
Investments	€ mn	143,042	137,113	141,388
Insurance reserves	€ mn	83,946	87,557	90,432

In life and health insurance, our growth continued. After adjustment for currency and consolidation effects, revenues were up 10.9 percent. In IFRS accounts, which only recognize the risk and cost elements in premiums from investment-oriented products, premium income increased 0.1 percent to 20.7 billion euros.

The business portfolio of unit-linked life insurance and other investment-oriented life insurance products grew 10.8 percent after adjustment for currency effects, and contributed 51.1 percent of total revenues amounting to 42.3 (40.2) billion euros. The following table shows the revenues we generated from investment-oriented products in the various countries.

The **expense ratio**, in relation to total revenues, i.e. including investment-oriented products, improved once again from 10.0 to 7.9 percent. In IFRS accounts, the expense ratio also declined from 19.3 to 17.1 percent. In absolute terms, net expenses decreased by 0.6 billion euros.

Revenues from investment-oriented life insurance products

	2003 € mn	2002 € mn	2001 € mn
Italy	7,776	6,419	4,608
U.S.A.	7,488	8,119	3,504
France	2,866	2,790	3,308
Switzerland	641	546	590
Germany	522	331	12
South Korea	474	652	583
Netherlands	259	103	252
Belgium	129	100	105
Spain	71	49	61
Other countries	1,405	404	519
Total	21,630	19,513	13,542

Net **investment income** rose to 9.8 (7.4) billion euros. This increase is mainly attributable to the fact that – parallel to the recovery of the financial markets – the balance of write-ups and write-downs on our investment portfolio improved significantly to – 1.3 billion euros, compared to – 2.3 billion euros in the previous year. But the balance of realized gains and losses also improved to – 0.3 (– 1.1) billion euros.

Earnings before taxes and amortization of goodwill came to 1,155 (83) million euros. Our subsidiary Allianz Life Korea required an unscheduled amortization of goodwill in the amount of 224 million euros, a measure that reflects current estimates of net interest yields in South Korea. This increased total amortization of goodwill to 398 million euros. Taking this expense into consideration, and after deduction of tax (589 million euros) which increased substantially as a result of a change in German tax law, and minority interests of 216 million euros, we posted a **loss** of 48 (profit of 19) million euros.

		2003	2002	2001
Total revenues	€ mn	42,319	40,176	33,687
Gross premiums	€ mn	20,689	20,663	20,145
Premiums earned (net)	€ mn	18,701	18,675	18,317
Expense ratio*)	%	7.9	10.0	12.1
Investment income	€ mn	9,769	7,445	8,565
Net income	€ mn	– 48	19	229
Investments	€ mn	232,036	221,313	212,757
Insurance reserves	€ mn	233,868	224,673	215,217

*) In relation to total premiums earned (net)

Our banking business again experienced a difficult fiscal year 2003: while managing to significantly improve the operating result, the non-operating result was lower because of adjustment measures. In the banking business, that is essentially driven by the business performance of Dresdner Bank Group, we managed to significantly improve the operating result by 1.6 billion euros compared to the previous year. This turnaround came about in a business environment characterized by a recovery in share prices and a gradual improvement in economic development in the second half of 2003. At the same time we streamlined the business portfolio of Dresdner Bank and eliminated risks from the balance sheet.

In fiscal year 2003, the banking business recorded an **operating result** of – 357 million euros. An operating loss from the Institutional Restructuring Unit of Dresdner Bank of 728 million euros was partly compensated by a positive operating result of 371 million euros in the other banking business. Overall, operating income declined in fiscal year 2003 by 10.9 percent to 6.7 billion euros. This is essentially due to consolidation and exchange rate effects. Adjusted for these effects, the decline is only 3.1 percent. At the same time, we managed to reduce administrative expenses by altogether 16.8 percent to 6.1 billion euros. Adjusted for consolidation and exchange rate effects, the cost reduction was 12.7 percent. We were thus able to surpass our cost cutting goals. In addition, we made significant progress in reducing loan loss provisions. The **non-operating business** was charged by 1.6 billion euros especially due to write-downs and restructuring expenses. Overall, our banking business reported a **net loss for the year** of 1,279 million euros.

The decline in the **operating income** resulted primarily from a lower **net interest income** which dropped 26.7 percent to 2.8 billion euros. This is mostly attributable to the deconsolidation of Deutsche Hyp in the third quarter 2002. Adjusted for consolidation and exchange rate effects, net interest income fell by 10.4 percent. This reduction is to be looked at with the following background: between year-end 2002 and year-end 2003, the risk weighted assets at Dresdner Bank were reduced by 30.8 billion euros – a cut of some 20 percent – to 111.7 billion euros. Given that the adjusted net interest income declined less sharply, our measures to improve portfolio quality are yielding results. In addition, net interest income in 2003 was charged by –365 (–119) million euros as a result of valuation effects from applying IAS 39.

At the same time, **loan loss provisions** went down very noticeably: at 1.0 billion euros, they were 54.4 percent lower than for the previous year.

In spite of the persistently high number of insolvencies in the corporate customer business, we still managed to significantly cut back net additions to loan loss provisions which for the most part relate to Germany. As a result, the ratio of loan loss provisions to net interest income improved significantly, from 58 to 36 percent.

Net fee and commission income decreased by 7.8 percent to 2.5 billion euros as some of our customers were responding to the market development in a reserved manner. At the same time, the **trading income** showed an exceptionally encouraging development, improving by 37.4 percent to 1.5 billion euros. The main boost came from stock trading as well as currencies and interest products.

We reduced **administrative expenses** noticeably to 6.1 (7.3) billion euros thus succeeding in surpassing our cost reduction goals. The savings divide up almost equally between personnel and operating costs. The strong decline in **personnel costs** can be attributed on the one hand to the cutback in employees and on the other hand to the reduction in guaranteed boni. The reduction in **operating costs** is the result of tighter cost controls in all areas. The operating cost-income ratio, which shows the relation of administrative expenses to operating income, indicates the success of these measures: compared to 2002, the ratio improved by 6.4 percentage points to 90.3 percent.

Banking Business

		2003	2002
Net interest income	€ mn	2,805	3,827
Net fee and commission income	€ mn	2,452	2,658
Trading income	€ mn	1,486	1,081
Operating income	€ mn	6,743	7,566
Administrative expenses	€ mn	– 6,086	– 7,314
Loan loss provisions	€ mn	– 1,014	– 2,222
Operating result	€ mn	– 357	– 1,970
Other income/expenses	€ mn	– 1,580	675
Net income for the year	€ mn	– 1,279	– 1,358
Operating cost-income ratio	%	90.3	96.7
Loans and advances to customers and banks	€ bn	289	246
Liabilities to customers and banks	€ bn	325	278

Allianz is one of the 5 leading asset managers in the world. Net inflow to assets under management for third-party investors reached 25 billion euros. In spite of the currency-related fall in the value of our investments, most of which are managed in U.S. dollars, the assets managed for third parties grew by 4 billion euros or 1 percent to 565 billion euros. The operating result amounted to 733 million euros. After deduction of acquisition-related expenses as well as taxes and minority interests, the segment reported a lower-than-expected loss of 270 million euros.

Assets under management comprise both assets managed for third parties as well as investments used to cover insurance reserves, equity capital and liabilities.

Asset management for third party investors
Approximately 57 percent or 565 billion euros of our assets are managed for third party investors. The value of this portfolio increased by 4 billion

Assets under management

	current values 12/31/2003 € bn	current values 12/31/2002 € bn	current values 12/31/2001 € bn
Group investments	399	403	481
Investments for unit-linked life insurance	32	25	25
Investments for third-party investors	565	561	620
Assets under management	996	989	1,126

euros. This includes 25 billion euros in net inflows as well as market-related growth of 47 billion euros. This increase in the value of investments managed for third party investors overcompensated the negative exchange rate effect of 68 billion euros which stemmed in particular from the weakness of the U.S. dollar.

Approximately 70 percent of our third-party investments come from the U.S.A. and roughly 18 percent from Germany. As a result, we enjoy a very strong position in both markets. In terms of total volume, institutional customers account for 59 percent. We are thus operating in a market environment with very high demands on the quality of our products and services. This constellation also benefits our private customers.

In 2003 we achieved a number of successes:

- With net inflows of 33 billion euros, our fixed-income fund business achieved extraordinarily strong growth. The fixed-income share of our portfolio amounts to 72 percent; equity funds account for 26 percent.
- Our PIMCO Total Return Fund increased its investment volume to 74 billion U.S. dollars by the end of the year and has established itself as the largest actively-managed investment fund in the world.
- Its European equivalent, dit-Euro Bond Total Return Fund “powered by PIMCO”, recorded net inflows in 2003 of more than 1.7 billion euros. It was once again one of Germany’s best selling fixed-income funds.
- With net inflows to mutual funds of 3.5 billion euros, ADAM Deutschland GmbH managed to secure itself a market share in 2003 of over 19 percent and thus ranks third among the German investment trusts.
- In the institutional customer business in Germany, ADAM Deutschland still ranks first. In special funds, the company’s institutional asset manager dbi recorded growth of 5.4 billion euros.
- Our joint venture Guotai Junan Allianz Fund Management Co., the first fund manager with foreign participation to be granted a business license in China in 2002, commenced business operations very successfully with the launch of the Desheng Stable Balanced Fund and a sales volume of 3.7 billion Chinese renminbi (398 million euros).

The **operating result** amounted to 733 million euros, an increase on the previous year of 238 million euros or 48 percent. Adjusted for exchange rate effects, the result would have been 122 million euros higher. Thanks to an improved cost structure on the back of high net inflows and benign market conditions, the **cost-income ratio** improved from 78.5 to 67.2 percent. In 2004, we aim to complete the current restructuring program at our DRCM unit which mainly manages our equity portfolios.

Acquisition-related expenses totaled 836 million euros. In agreement with KPMG, the accounting procedure has been adjusted here with effect from September 30, 2003. It concerns the agreement to acquire the PIMCO management's shares in the company over a period of time. The acquisition-related expenses include amortization of goodwill of 369 million euros as well as 137 million euros for the amortization of loyalty bonuses for the PIMCO management. These bonuses were agreed upon in 2000 as a component of the purchase price and are amortized over five years. A further 330 million euros are primarily "retention payments" for the management and employees of PIMCO and Nicholas Applegate; these, too, were agreed upon at the time of purchase of the fund companies.

Minority interests in earnings amounted to 183 million euros. PacLife – which still holds a 15 percent interest in PIMCO – accounts for 66 million euros of this amount.

After a tax income in the amount of 16 million euros, the segment reported a **loss** of 270 million euros; a year earlier, the loss had still been 467 million euros.

The economic prospects for 2004 are significantly better than in recent years.

Growth is likely to accelerate in all regions of the world. That will also give new impetus to financial services providers, even though sizeable risks persist.

Business outlook for the Allianz Group

In 2004, the Allianz Group is going forward with the implementation of its "Three Plus One" strategy. We will continue to build up our operating strengths and grow profitably. We expect total premium income to increase by about 4 percent. Our disciplined underwriting policy and our strict cost management should enable us to push the combined ratio in property and casualty insurance below 97 percent, provided that there are no major natural catastrophes or other major claims and that no acute changes in our business context occur. In life insurance, we will continue the redesign of our products and rate structures, with the objective of tapping additional earnings potentials. If the recovery of the capital markets continues, we expect clearly improved results in this segment. In banking, we expect drastic cost-cutting and at the same time modest growth in operating income. In asset management, we want to increase third-party assets under management by 10 percent and continue to bring down the cost-income ratio.

Cautionary Note Regarding Forward-Looking Statements

Certain of the statements contained herein may be statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words 'may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue' and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro-U.S. dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also involve risks and uncertainties described from time to time in Allianz AG's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking information.

The full version of the 2003 Annual Report is available on the Internet at
www.allianzgroup.com/annualreport
and will also be available in hard-copy form at the Annual General Meeting.

In addition you can order your copy through:

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